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# PORT COMMISSION:

## Concession Audit of Kelly's Mission Rock, LLC

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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER  
AUDITS DIVISION

Edward Harrington  
Controller

March 29, 2002

Audit Number 01041

San Francisco Port Commission  
Ferry Building, Suite 3100  
San Francisco, CA 94111

President and Members:

The Controller's Audits Division presents its report concerning the concession audit of Kelly's Mission Rock, LLC (Mission Rock). Mission Rock has a 15-year lease with the Port Commission of the City and County of San Francisco to operate a restaurant at Pier 64½.

**Reporting Period:** February 1, 1999, through June 30, 2001

**Rent Paid:** \$295,536

**Results:** Mission Rock correctly reported gross receipts of \$3,939,805 and correctly paid its rent to the Port Department.

Respectfully submitted,

Noriaki Hirasuna  
Director



# INTRODUCTION

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## BACKGROUND

Kelly's Mission Rock, LLC (Mission Rock) has a lease with the Port Commission (commission) of the City and County of San Francisco (City) to operate a restaurant at Pier 64½. The 15-year lease commenced on April 1, 1998. The lease requires Mission Rock to pay the Port Department (Port) the greater of a monthly base rent or a specified percentage of Mission Rock's monthly gross receipts. The monthly base rent ranged from \$9,888 to \$11,384 during the audit period. The lease sets the percentage rent at seven percent of the gross receipts for full service dining and nine percent of the gross receipts for casual dining, retail sales, and other sales such as souvenir items. According to the lease, full service dining is when the food is cooked to customers' orders, and food and beverages are served to the customers' tables for consumption on the premises. Casual dining is all other dining, including take-out service.

The Port relieved Mission Rock from paying the monthly base rent from April 1, 1998 until March 1, 1999 while Mission Rock was constructing its restaurant. However, if Mission Rock opened the restaurant prior to March 1, 1999, the Port required Mission Rock to pay the percentage rent on its gross receipts to the extent that the percentage rent exceeds the base rent. Mission Rock began operating the restaurant in February 1999.

## SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Mission Rock complied with the reporting, payment, and other provisions of its lease with the Port. Our review covered the period from February 1, 1999, through June 30, 2001. To conduct the audit, we reviewed the applicable terms of the lease and the adequacy of Mission Rock's procedures for collecting, recording, summarizing, and reporting its gross receipts to the Port. To determine whether Mission Rock accurately reported its gross receipts to the Port, we compared its reported gross receipts to the gross receipts Mission Rock recorded in its monthly summary report for all months of the audit period. On a sample basis, we examined Mission Rock's monthly sales records, daily sales reports, and bank deposit records. We also compared for selected quarters the gross receipts Mission Rock reported to the Port with the sales Mission Rock reported to the California Board of Equalization.



# AUDIT RESULTS

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## MISSION ROCK CORRECTLY REPORTED ITS GROSS RECEIPTS AND CORRECTLY PAID ITS RENT

From February 1, 1999, through June 30, 2001, Mission Rock correctly reported \$3,939,805 in gross receipts and correctly paid \$295,536 in rent to the Port. For most of the audit period, Mission Rock paid only the base rent because its monthly gross receipts did not exceed specified amounts. The table below shows the reported gross receipts and rent paid to the Port.

### TABLE

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**Gross Receipts Reported and Rent Paid  
February 1, 1999, Through June 30, 2001**

	Gross Receipts	Rent Paid
February 1, 1999, through June 30, 1999	\$682,352	\$40,680
July 1, 1999, through June 30, 2000	1,611,180	124,458
July 1, 2000, through June 30, 2001	1,646,273	130,398
Total	\$3,939,805	\$295,536

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager  
Sam Appiah

cc: Mayor  
Board of Supervisors  
Civil Grand Jury  
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